

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 TAR-01 AGR-10

NSC-05 SS-15 STR-04 CEA-01 SAJ-01 /115 W

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R 192209Z SEP 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 3329

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 01 OF 03 PARIS 24349

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EALR, EFIN, EGEN, FR

SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 22978, SEP 8, 1975

1. SUMMARY: LATEST OFFICIAL PROGRAM TO BOLSTER
FRENCH ECONOMY GIVEN PARLIAMENTARY APPROVAL SEP 11,
ALTHOUGH ON CLOSE EXAMINATION NEW MEASURES ADD UP TO
SOMETHING LESS THAN FULL-BLOWN REFLATION. GOF'S
TARGETS FOR ECONOMIC GROWTH AND PRICE INFLATION DURING
1975 UNDERGOING SOME REVISION, BEING LESS OPTIMISTIC THAN
HERETOFORE. LATEST FIGURES ON FRENCH BALANCE OF
PAYMENTS AND FOREIGN TRADE SHOW MARKED IMPROVEMENTS --
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ALTHOUGH GOF ITSELF EXPECTS SOME REVERSAL IN SECOND HALF
OF YEAR WITH ZERO CURRENT ACCOUNT BALANCE STILL FORECAST
FOR 1975.

2. ECONOMIC-SUPPORT PROGRAM APPROVED --

GOF'S 30 BILLION-FRANC ECONOMIC SUPPORT PROGRAM RECEIVED PARLIAMENTARY APPROVAL SEP 11, FOLLOWING TWO-DAY SPECIAL SESSION TO DEBATE NEW MEASURES. WHILE OFFICIAL RHETORIC ACCOMPANYING PROGRAM'S INTRODUCTION SUGGESTED THAT INFLATION WAS NO LONGER GOF'S PRIMARY CONCERN (SEE REFTTEL), GOF APPEARS TO HAVE ADMINISTERED WHAT IT CONSIDERS TO BE SUFFICIENT STIMULATION TO ARREST DOWNWARD DRIFT OF THE ECONOMY THIS YEAR, WHILE HOLDING ON TO RECENT GAINS IN REDUCING INFLATIONARY PRESSURES. BEYOND THAT, GOF APPARENTLY LOOKS TO A GRADUAL, INVESTMENT-LED RECOVERY IN 1976. (SEE PARIS 23788 FOR DETAILED ANALYSIS OF PROGRAM.)

AS EXPECTED, NEW MEASURES TO SUPPORT ECONOMY GENERATED ABUNDANCE OF COMMENTARY BY GOF OFFICIALS, MEMBERS OF PARLIAMENT, BUSINESS AND LABOR GROUPS, AND PUNDITS. ONE ITEM OF NOTE, HOWEVER, WAS REFERENCE BY FINANCE MINISTER FOURCADE SEP 8 TO OUTLOOK FOR FRENCH ECONOMIC GROWTH: FOR 1975, HE SAID A REAL DECLINE WAS LIKELY, ON ORDER OF 2.5 PERCENT RELATIVE TO 1974; OUTLOOK FOR 1976 WAS REAL GROWTH OF 4.8 TO 4.9 PERCENT OVER 1975. FOURCADE'S "NEGATIVE GROWTH" FIGURE FOR 1975, WHILE NOT REPEATED SINCE BY OTHER GOF OFFICIALS, WAS A SIGNIFICANT DEPARTURE FROM EARLIER STATEMENTS. SINCE LAST FALL FOURCADE HAS SLOWLY (AND BEGRUDGINGLY) RETREATED FROM GOF'S ONE-TIME GOAL OF 4 PERCENT REAL GROWTH IN 1975; BUT UNTIL LAST WEEK HE HAD NEVER CONCEDED THAT DECLINE IN REAL OUTPUT WAS A POSSIBILITY, MUCH LESS ON THE ORDER OF 2.5 PERCENT.

3. PRICE OUTLOOK REVISED --

DURING TELEVISION INTERVIEW SEP 16, FINANCE MINISTER FOURCADE SAID HE EXPECTED CONSUMER PRICES TO RISE AN AVERAGE 0.6 PERCENT MONTHLY FROM NOW TO YEAR'S END. GIVEN CHANGE IN CPI FROM DEC 1974 THROUGH JULY 1975
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(144.3 TO 152.8), FOURCADE'S PREDICTION WORKS OUT TO OVERALL RATE OF CONSUMER PRICE INFLATION FOR 1975 OF 9.1 PERCENT. AS SUCH, IT AMOUNTS TO A BACKING-OFF FROM LAST YEAR'S OFFICIAL OBJECTIVE OF 6 PERCENT PRICE INFLATION IN 1975.

FOLLOWING FOURCADE'S INTERVIEW, PRICE COMMISSION DIRECTOR CLAUDE VILLAIN PREDICTED THAT MONTHLY PRICE INCREASES WOULD RANGE FROM 0.5 TO 0.8 PERCENT, THE HIGH POINTS COINCIDING WITH RENT INCREASES (OCT, JAN, APRIL AND JULY). VILLAIN'S FORECAST OF 9.2 PERCENT PRICE INFLATION FOR 1975 MATCHED THAT IMPLIED BY FOURCADE, HOWEVER.

4. UNEMPLOYMENT RECEDES IN AUGUST --

THE SEASONALLY ADJUSTED NUMBER OF REGISTERED UNEM-

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ACTION EUR-SES (OCT, JAN, APRIL
AND JULY). VILLAIN'S FORECAST OF 9.2 PERCENT PRICE
INFLATION FOR 1975 MATCHED THAT IMPLIED BY FOURCADE,
HOWEVER.

4. UNEMPLOYMENT RECEDES IN AUGUST --

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R 192209Z SEP 75

FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3330
INFO USDEL MTN GENEVA
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
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PLOYED IN FRANCE DECLINED 2 PERCENT DURING AUGUST TO
864,200 AT MONTH'S END. (NON-SEASONALLY ADJUSTED
FIGURES SHOWED A RISE OF 4 PERCENT.) LAST PREVIOUS DE-
CLINE IN THE NUMBER OF JOBLESS (SEASONALLY ADJUSTED)
WAS RECORDED IN APRIL 1974. UNFILLED JOB OFFERS IN-

CREASED marginally in Aug to 102,700. On basis of available data, we estimate seasonally adjusted unemployment in Aug at roughly 3.9 percent of the labor force (see Paris A-322 for methodology).

LABOR MARKET INDICATORS
(SEASONALLY ADJUSTED; IN THOUSANDS, END-OF-MONTH)

MAR APR MAY JUN JUL AUG
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REGISTERED
UNEMPLOYED 765.7 797.1 834.9 877.5 884.9 864.2

UNFILLED JOB
OFFERS 110.7 106.0 105.7 103.3 102.5 102.7

UNEMPLOYMENT
AS PERCENT OF
LABOR FORCE
(ESTIMATE) 3.5 3.6 3.8 4.0 4.0 3.9

AS IN JULY (SEE PARIS 21759), LABOR

-MARKET DEVELOP-
MENTS IN AUG APPEAR AT FIRST GLANCE TO SIGNAL AN EASING IN FRENCH UNEMPLOYMENT SITUATION -- WHICH HAD BEEN WORSENING STEADILY SINCE SEP 1974. THIS RESPITE MAY BE BRIEF, HOWEVER, SINCE REPORTS INDICATE A POSSIBLE RESURGENCE OF LAYOFFS THIS MONTH AND NEXT, AS EMPLOYERS REPORTEDLY UNABLE TO CONTINUE ALTERNATIVE COURSE OF REDUCING WORKING HOURS. THIS, TOGETHER WITH MORE-THAN-SEASONAL INCREASE IN NUMBER OF YOUNG PEOPLE ENTERING LABOR FORCE, SHOULD PUSH JOBLESS RATE HIGHER STILL DURING FALL AND WINTER.

5. INTERNATIONAL PAYMENTS IN SURPLUS FOR FIRST HALF --

FRANCE'S BALANCE OF PAYMENTS ON CURRENT ACCOUNT REGISTERED SURPLUS OF 3.1 BILLION FRANCS DURING SECOND QUARTER 1975, PULLING CURRENT BALANCE INTO SURPLUS OF FF 2.0 BILLION FOR FIRST HALF (PROVISIONAL FIGURES, RELEASED SEP 9 BY FINANCE MINISTRY). FOLLOWING AVERAGE QUARTERLY DEFICITS OF FF 7 BILLION DURING 1974, NARROWING OF CURRENT DEFICIT TO JUST OVER FF 1 BILLION IN FIRST QUARTER AND SUBSTANTIAL SURPLUS IN SECOND MADE POSSIBLE BY DECLINE IN IMPORTS AND CONSEQUENT IMPROVEMENT IN FOREIGN-TRADE ACCOUNT.

FRENCH BALANCE OF PAYMENTS
(IN MILLIONS OF FRANCS; PRELIMINARY DATA FOR SECOND QUARTER 1975)

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74-III 74-IV 75-I 75-II
MERCH. TRADE BAL. -4616 -1196 1300 5100
SERVICES, NET - 807 1888 150 1300

BAL. ON GOODS AND
SERVICES -5423 692 1450 6400
TRANSFERS, NET -3806 -3223 -2550 -3300

BAL. ON CURRENT
ACCOUNT -9229 -253L -1100 3L00
LONG-TERM CAPITAL 4007 - 307 1600 2200

BASIC BALANCE -5222 -2838 500 5300

STEADY IMPROVEMENT EVIDENCED SINCE LAST FALL IN
MERCHANDISE TRADE ACCOUNT (INCLUDES "COURTAGE," OR
THIRD-COUNTRY COMMODITY BROKERAGE ACTIVITIES) CONTINUED
DURING SECOND QUARTER. AS NOTED PREVIOUSLY, DOWNWARD
IMPORT TREND HAS BEEN A CONSEQUENCE OF RECESSION IN
FRANCE, WITH DEMAND CURTAILED FOR IMPORTS AS WELL AS
DOMESTIC GOODS. OTHER CONTRIBUTING FACTORS WERE
ENERGY-CONSERVATION PROGRAMS (BOOSTED BY A MILD 1974-75
WINTER); OVERALL SOFTENING TREND ON WORLD COMMODITY
MARKETS; AND, THROUGH MOST OF SECOND QUARTER 1975,
STEADY APPRECIATION IN FOREIGN-EXCHANGE VALUE OF THE
FRANC (WITH DOWNWARD INCIDENCE ON FRANC IMPORT VALUES).
LATTER TREND HAS NOW REVERSED, WHILE PATTERN OF COMMOD-
ITY-IMPORT PRICES MAY BE ON THE UPSWING (SEE PARIS
21759). AS DIRECTION OF IMPORT TREND PRESENTLY UNCER-
TAIN (SEE PARA 6 BELOW), BALANCE-OF-PAYMENTS OUTLOOK FOR
SECOND HALF 1975 IS EQUALLY UNCLEAR -- BUT IN ANY

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R 192209Z SEP 75
FM AMEMBASSY PARIS
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INFO USDEL MTN GENEVA
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EVENT IS NOT LIKELY TO MATCH FIRST-HALF RESULTS.
(COMPLETE DATA ON BALANCE OF PAYMENTS BY AIRGRAM FOLLOW-
ING PUBLICATION OF DEFINITIVE SECOND-QUARTER FIGURES.)

6. TRADE SURPLUS RECORDED FOR SEVENTH CONSECUTIVE
MONTH --

FRANCE'S FOREIGN-TRADE ACCOUNT WAS IN SURPLUS BY
FF 1.2 BILLION IN AUG, BRINGING CUMULATIVE TRADE SURPLUS
FOR YEAR TO DATE UP TO FF 8.5 BILLION (SEASONALLY
ADJUSTED, FOB-FOB). AUG TRADE FIGURES SHOWED BOTH
IMPORTS AND EXPORTS DOWN, BY 6 AND 4 PERCENT
RESPECTIVELY, FROM JULY LEVELS. OVER 12 MONTHS FROM
AUG 1974, IMPORTS HAD DECLINED 16 PERCENT WHILE EXPORTS
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WERE DOWN BY 3 PERCENT.

FRENCH FOREIGN TRADE
(SEASONALLY ADJUSTED; IN BILLIONS OF FRANCS, FOB-FOB)
MAR APR MAY JUN JUL AUG

IMPORTS 18.5 17.5 16.0 17.6 18.8 17.6

EXPORTS 19.3 19.1 17.7 18.8 19.6 18.9

BALANCE 0.8 1.6 1.8 1.2 0.8 1.2

AS NOTED PARIS 21759, IMPORT SURGE IN JUNE AND
JULY HAD BEEN DISCOUNTED BY SOME OBSERVERS AS DUE TO
"TECHNICAL FACTORS" SUCH AS END TO RUN-DOWN OF EXCESS
INVENTORIES. WHETHER LATEST DROP IN IMPORTS REPRESENTS
COMPENSATION FOR SUCH FACTORS, OR INSTEAD SIGNALS RE-
TURN TO DOWNWARD TREND WHICH PREVAILED FOR BETTER PART
OF A YEAR REMAIS TO BE SEEN. FOREIGN TRADE MINISTER
SEGARD NOTED THAT AUG FIGURES FOR BOTH IMPORTS AND
EXPORTS HAD MERELY RETURNED TO JUNE LEVELS. SEGARD
DREW ENCOURAGEMENT FROM STRENGTH OF FRENCH INDUSTRIAL
EXPORTS, ESPECIALLY OF CAPITAL EQUIPMENT (FF 50 BILLION
IN ORDERS OVER FIRST 8 MONTHS OF 1975, COMPARED TO FF
60 BILLION IN ALL OF 1974). FACT THAT OVERALL FRENCH

EXPORTS "CONTINUE TO MARK TIME," HE SAID, ATTRIBUTABLE
TO DECLINING SALES OF FARM PRODUCTS.

7. OTHER REPORTS SUBMITTED DURING THE PERIOD --

TELEGRAMS:

23788 ANALYSIS OF NEW FRENCH ECONOMIC-
SUPPORT PROGRAM 9/16/75

24169 FOURCADE ON GOLD AGREEMENTS 9/19/75

24170 MAJORITY POLITICIANS CASTIGATE U.S.
MONETARY POLICY; FOURCADE ATTACKS
DOLLAR'S ROLE AS RESERVE CURRENCY 9/19/75

AIRGRAMS:

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A-402 FRENCH FOREIGN EXCHANGE HOLDINGS 9/5/75
A-416 FRENCH FOREIGN EXCHANGE HOLDINGS 9/15/75
A-418 FRENCH RESERVES IN AUGUST 1975 9/15/75
RUSH

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OECD PARIS
BORDEAUX
LYON
MARSEILLE

NICE
STRASBOURG

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